

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00 EB-11

INR-10 NSAE-00 RSC-01 FAA-00 SS-15 NSC-10 L-03 PRS-01

USIA-12 PA-03 RSR-01 /089 W
----- 119701

R 061302 Z MAY 73

FM AMEMBASSY SANAA

TO SECSTATE WASHDC 2090

INFO AMEMBASSY AMMAN

AMEMBASSY JIDDA

AMEMBASSY BEIRUT

C O N F I D E N T I A L SANAA 769

E. O. 11652: GDS

TAGS: ETRN, JO, YE, SA, US

SUBJ: DEVELOPMENTS ON YEMEN AIRLINES

REF: AMMAN 2388

1. WE HAVE MENTIONED SUBSTANCE OF AMMAN REFTEL TO MINISTER FOR DEVELOPMENT SA' ID, WHO WAS GRATEFUL FOR AMBASSADOR BROWN' S PERSONAL EFFORT RESUSCITATE AGREEMENT BETWEEN YEMEN AIRLINES (YAL) AND ALIA. HE BELIEVES SOMETHING MAY YET BE WORKED OUT.

2. IN OTHER DEVELOPMENOD AFFECTING YAL, THERE IS MOVEMENT THAT MAY HOLD PROMISE OF A BETTER FUTURE. PARTLY AS RESULT THIS EMBASSY' S REITERATED RECOMMENDATIONS THAT REAL EFFORT BE MADE STRENGTHEN YAL AS A POTENTIALLY GOOD COMMERCIAL PROPOSITION AND DEVELOPMENT ASSET IN MAINTAINING ROADLESS COUNTRY , YARG HAS THROWN OUT PREVIOUS YAL BOARD OF DIRECTORS WHICH WAS NON- PROFESSIONAL, GROSSLY INEFFECTIVE, AND RIDDLED WITH BA' ATHIS STAFFED THERE DURING AL- AYNi REGIME. IN TAKING THIS ACTION MINISTER FOR DEVELOPMENT DA ' ID HAS PLACED ECONOMY MINISTER AL- ASNAG IN CHARGE
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OF DEVELOPING LONG TERM PLAN FOR PUTTING YAL IN HANDS OF PROFESSIONAL MANAGEMENT, REACHING MANAGEMENT AND TRAINING ACCORD DIRECTLY WITH SOME MAJOR FOREIGN AIRLINE, DEVISING WAYS TO FUND NECESSARY NEW EQUIPMENT, ETC.

3. AS ONE CONSEQUENCE THIS STIR OF ACTIVITY, YARG HAS CABLED PAN AM REPRESENTATION IN BEIRUT INVITING IT SEND A TEAM TO YEMEN PURSUANT PAN AM'S EARLIER EXPRESSED INTEREST.

4. WE HAVE INFORMED YARG OF THOUGHTS TENTATIVELY DEVELOPED WITH EMBASSY JIDDA AND TWA REPRESENTATION THERE REGARDING POSSIBILITY OF BRINGING TWA, AS WELL, INTO THE NEGOTIATING PICTURE WITH INITIAL STEP BEING PERSONAL VISIT HERE BY TWA VICE- PRESIDENT FOR INTERNATIONAL OPERATIONS MATTHEW KENNEDY. YARG WELCOMES OPPORTUNITY TO TALK TO TWA AS WELL AS PAN AM. THERE IS EVIDENTLY ALSO SOME CONTACT WITH KLM.

5. MEANWHILE SAUDI AMBASSADOR SUDAIRY TWO WEEKS AGO DELIVERED TO MINISTER SA'ID A RATHER REMARKABLE LETTER STATING SAG'S WILLINGNESS HELP YAL GENEROUSLY AND IN ANY MANNER DESIRED BY YARG, I. E. SUBSIDIES, EQUIPMENT, ETC. ONE POSSIBILITY APPARENTLY MENTIONED IN LETTER WAS THAT YARG MIGHT WISH SET UP NEW CORPORATION 49 PERCENT OWNED BY SAUDIA, 51 PERCENT BY YARG, WITH SAG EVEN WILLING PUT UP NECESSARY CAPITAL FOR YARG'S 51 PERCENT.

6. COMMENT: YARG IS GRATEFUL FOR THIS SHOW OF SAG INTEREST BUT IT CONTINUES PREFER MANAGEMENT RELATIONSHIP DIRECTLY WITH SOME MAJOR NON- SAUDI PRINCIPAL. THIS IS BASED ON BELIEF THAT SINCE SAUDIA AND YAL COULD ULTIMATELY BECOME COMPETITORS, SAUDIA WOULD ALWAYS DELIBERATELY GO SLOW ON CONTRIBUTIONS TO STRENGTHENING OF LATTER. WE CONTINUE TO ADVISE THAT IT MAY PROVE DIFFICULT ALTHOUGH PERHAPS NOT IMPOSSIBLE FOR YARG TO HAVE ITS CAKE AND EAT IT TOO, I. E. TO HAVE SAG SUBSIDIZE DEVELOPMENT OF A SOUNDER- BASED, PROPERLY EQUIPPED, YAL OPERATION PREMISED ON MANAGEMENT CONTRACT WITH MAJOR INTERNATIONAL AIRLINE, BUT WITH NO LINK TO SAUDIA.
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